

The Future of Russia and the Russian Navy

Report of discussions in Moscow
November 2-6, 2003

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Center for
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Contents

Introduction	1
The political situation in early November 2003	2
The course of the Russian economy	4
Where does this leave the Russian military?	7
Military reform	7
The Russian defense budget	9
The future and goals of the Russian military	12
Some concluding observations about Russian defense. .	14
Where does this leave the Russian Federation Navy (RFN)? .	15
Final observations	18

Introduction

As part of CNAC's continuing project on the future of U.S.-Russian naval cooperation, Drs. Gaffney and Gorenburg paid a short visit to Moscow to discuss the future of the Russian Federation Navy (RFN). Mindful of the discretion required because of the Igor Sutyagin case (Sutyagin worked closely with us at CNAC in past years, but under the auspices of Dr. Sergey Rogov and the Institute for USA and Canada Studies of the Russian Academy of Sciences), we took an informal, unofficial, and top-down approach to discussing this subject, not pressing for any details about the RFN.

The top-down approach is to ask first where Russia is going—in its governance, politics, economy, and in constructing a “social contract” to replace that of Soviet times. Then, the question becomes what kind of budget and budget restraints the government may be under, what that may leave for the regular military establishment (they refer to it as “the Army”), and finally, what would be left of that for the Navy. This approach is in contrast to what some consider a standard approach: what are the national interests, what are the threats to those national interests, what strategy is appropriate to cope with the threats in defense of the interests, what forces then are “required” for the strategy, and then to wallow in despair because there's never enough money to satisfy the requirements, especially if your country has a market economy and a government budget dependent on tax revenues. Russians—including some we talked to—have done a lot of work in accordance with this latter approach and it has essentially yielded much paper and little else—mostly because the Russian economy has been in such bad shape that there's no money. Besides, the two wars in Chechnya have been a large drain in both resources and the Russian psyche. In any event, Russian armed forces, including the navy, continue practically unreformed (from Cold War days) and are still in decline.

We were in Moscow at the peak of the discussion of the Khodorkovsky affair and at the time of the resignation of Voloshin, Putin's chief of staff. No one we talked to held a brief for Khodorkovsky, but they were beginning to wonder who Putin was and what kind of government he was heading toward. They noted that the *siloviki* (“the forces of

power”) were taking over, but were reassured that Voloshin was not replaced by one of them.

We talked to Alexander Pikayev and Andrew Kuchins of the Moscow Carnegie Center, Colonel General Victor Yesin (Retired), Vice Admiral Nikolay Konorev (Retired), Sergey Kortunov, Sergey Oznobistchev, Alexander Konovalov, Alexander Golts, Duma Member Alexey Arbatov, and Sergey Rogov. This report goes well beyond the discussions we had with the above individuals, drawing on other current materials, including commentaries on the new “urgent tasks” paper of the Russian Ministry of Defense. The views in this paper are those of the authors, not the above individuals.

Just before we arrived, a major fire had gutted the Main Navy Staff building in Moscow, destroying the senior officers’ offices and computers and files—not a good omen for the RFN.

The political situation in early November 2003

While we were in Moscow, Duma elections loomed on December 7, 2003, with the presidential election to follow in March 2004. The “party of power”—Unified Russia, that is, the party that supports Putin (Putin pretends to be above party politics)—was expected to gain a majority of seats in the Duma, followed by the Communists, Zhirinovskiy’s LDRP, and, close to the 5 percent cutoff line, the Union of Right Forces and Yabloko.¹ Putin is considered a shoo-in for reelection, although one report said the election might yield him only 45 percent in the first round and require a run-off.

The political situation has been affected by the arrest of Mikhail Khodorkovsky, head of the Yukos oil company and probably the rich-

1. In the event, Unified Russia has gained a two-thirds majority in the Duma, having over 300 votes themselves. The Communists saw their votes cut in half, with most of those lost to the new Rodina, or Motherland, party. The LDRP came in fourth, and Yabloko and the Union of Right Forces fell below the 5 percent cutoff line and would be represented by only a very few members who won seats in single-member districts.

est man in Russia. The arrest had been rumored for some time, especially as one of his senior executives, Platon Lebedev, had already been arrested. The reasons for his arrest, technically described as being by the State Prosecutor for tax evasion and other economic crimes, have been generally accepted as follows: When Putin took over in Russia, he told the oligarchs that they could keep their ill-gotten gains from a corrupt privatization process as long as they stayed out of politics. But Khodorkovsky broke the compact by supporting political parties (even the Communists), in effect buying Duma seats, and implying that he might run for president in 2008.² As noted above, nobody we talked to held any particular brief for him.

What they did wonder about was “who was Putin” and what direction he was going to take the country. They knew Putin was likely to get a compliant Duma upon the elections in December, and he did. But it is also noted that the Duma was not compliant during Yeltsin’s years and Yeltsin couldn’t get much reform through it. Since Putin took office, the Duma has been much more amenable, and many reform measures have been put in place—though execution is still difficult (e.g., for an independent justice system, jury trials, etc.).

Putin’s words on reform are all the right ones, but the fact of the matter is that recentralization in the Kremlin has taken place. As someone said to us, “the guarantee of democracy in Russia today lies in the balance of power within the Kremlin.” There is also the anomaly of the separate Government, down in the White House, under Kasyanov as Prime Minister. The present Kremlin reminds one of the old Central Committee structure of the Soviet Union, and most of the staff is in fact in the old Central Committee buildings along Staraya Ploschad. Kasyanov has protested the Khodorkovsky arrest, hasn’t been fired yet, but almost certainly won’t be the next Prime Minister (he has to resign anyway upon Putin’s reelection). Kasyanov and Voloshin, who resigned in protest upon Khodorkovsky’s arrest, represent the last of Yeltsin’s “family,” who had selected Putin to succeed

2. A later article says that the confrontation was really about control of Russia’s economic resources. See Timothy O’Brien and Erin E. Arvedlund, “Putin vs. the Jailed Tycoon: Defining Russia’s New Rules,” *New York Times* (January 2, 2004), p. 1.

Yeltsin in part to protect themselves (and also because the previous prime ministers had not measured up in one way or another³). Then the question arose among our friends in Moscow as to whether the *siloviki* were taking over, or more simply translated, the old KGB people. They were reassured when other St. Petersburg people, not old KGB types, were moved up in the presidential administration to replace Voloshin.

One of our friends had some time ago explained how the “Chekisti”—the originals of the KGB who had been formed upon the formation of the Soviet Union—do not really have any ideas of their own; they follow orders. They want order. Putin, however, is not an archetype Chekist/KGBer/*siloviki*. He did not rise very high in the KGB, got a different training under Mayor Sobchak in St. Petersburg, and does seem to have a vision for the country and its people. He protests that he does not want to reverse the privatization of the 1990s, however badly done, that he wants to protect private property, and that he wants the GDP to double by 2010.

There are various terms being thrown around as to what the form of government is becoming in Russia. These included “managed democracy,” “authoritarian capitalism,” etc. People wonder whether Putin and his colleagues aspire to the Chinese model or the Pinochet model, but Putin himself doesn’t make any such references. That’s the problem: people don’t know where he is going. And it would seem that it is all up to him: the *siloviki* are too shadowy figures.

The course of the Russian economy

The Russian economy has been growing steadily since the collapse of 1998. Growth was 6.7-6.8 percent in 2003. Some of that is attributed to continued high oil prices, which generate one-third of the government’s revenues. Consumer expenditures are growing and generating their own businesses—in part because Russians have more disposable income, given steady raises, the flat tax of 13 percent, the

3. Interview of Boris Yeltsin by Lyudmila Telen, *Moscow News*, October 22-28, 2003.

low cost of housing, and subsidized utility prices.⁴ In those advantages lie some problems. The people are living off their old Soviet housing, which they got nearly free. But replacement is slow, there is practically no mortgage market (given the persistent weakness of the banking system), and much new housing is too expensive for the average Russian (there's a fantastically tall apartment skyscraper nearing completion in northeast Moscow).⁵ Moreover, Russians still enjoy low gasoline and utility prices.

The Khodorkovsky affair has introduced much uncertainty into the course of the Russian economy. The immediate expectations have been that capital flight would resume, but across all of 2003, it was only \$2.9 billion, as opposed to \$14.8 billion in 2001.⁶ The other side of the coin was also expected: less foreign direct investment. So far, these outcomes are not clear. The Sibneft-Yukos merger has been cancelled, and it seems unlikely at this point that any portion of Yukos will be sold to Exxon-Mobil, especially since the proceeds of such a sale might have been parked offshore. Putin promises not to arrest any more oligarchs, nor to reverse privatization. But the questions of legal processes, property rights, and taxation remain.

The Russian economy now depends on the export of its natural resources. This is why the situation between the private oligarchs and the government remains tense: the government needs control and revenues from these natural resources too badly. Moreover, Putin wants them to contribute to social ends, like schools and health care—which sounds a lot like the old Soviet system, where industries were responsible for the cradle-to-grave existence of their workers. It is also reported that for oil especially, the companies are simply

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4. IKEA has found that the average Russian shopper spends as much as the average Swedish shopper—IKEA is only in Moscow now, but is planning to expand around the country.
 5. Erin A. Arvedlund, "Slowly, Home Loans Catch on in Russia," *New York Times*, December 1, 2003, page C17.
 6. Erin A. Arvedlund, "Russian Growth Accelerates, Stoked by Oil," *New York Times*, January 7, 2004, page W1.

exploiting and exhausting existing oil fields, without new drilling or exploration.

At the other end of the spectrum, there is growing consumer demand in Russia, but it is still difficult for small-scale entrepreneurs to set up businesses to satisfy the demand. It has been said that 100 licenses per enterprise are needed, each involving a bribe to the issuer. But then we are told that one-stop license windows are being set up. But this also points up the other Putin desire: to cut the government bureaucracy, which is reported to be at least 1.5 times larger than the old Soviet bureaucracy, to select officials more objectively (i.e., on merit), and to pay them appropriately, thus to reduce the incentives for bribe-seeking. Eventually, Russia hopes to be competitive in world markets, but nobody has any idea what products that might involve.⁷

The Russian economy is declared to be no longer in transition, but to be a market economy. However, as former Finance Minister Yevgeny Yasin says, “But it is not an efficient economy. Institutionally, this is an extremely immature economy and...in the current situation economic immaturity is due in large measure to the backwardness of political institutions.”⁸ The growth in the economy since 1998 has been reassuring, and there may be much that is invisible—especially since people under-report incomes in order to avoid taxes. In Soviet times, the plan was over-reported; in a market economy, activity is under-reported.

In any case, the Russian government is now on a budget. One-third of that budget pays off international debts (Russia no longer needs IMF loans, and is paying off the old ones). They paid \$17 billion in 2003, with less due in 2004. Another one-third of the budget goes to defense and the other security ministries. Administrative costs of government are still high. There remains the social safety network to

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7. Their automobile manufacturing capability is probably going the other way: On this trip to Moscow, the overwhelming traffic seems to consist mostly of imported European and Japanese cars, many second-hand, some new. One had to look carefully to find a Russian-made car.
 8. “Press conference with Yegor Gaidar, Anatoly Chubais, Yevgeny Hasin on (the) Current Economic Situation in Russia,” *Interfax*, November 27, 2003, reprinted in *Johnson’s Russia List* #7446 of December 1, 2003.

finance adequately: there have been pension reforms, but the Russian population is still aging, inflation continues, and more pension funds will be needed. The health system is still deficient. And beyond that, infrastructure requires a lot of work. It is still not possible to drive from one end of the country to the other on a paved road. In addition, the carryover of the Soviet investment in the cold north and distant Siberia leaves a very inefficient distribution of people and industries—but the resources to move both to more favorable climates, that is, European Russia, are not yet available.⁹

Where does this leave the Russian military?

Military reform

In the endless discussions in Moscow of where the Russian economy is going and what Putin's style of government is, the military is hardly mentioned. We said to one person in Moscow that Putin does not seem to have a military policy, but has a foreign policy. But he said that Putin doesn't have a foreign policy either, and someone else noted that every government department has its own foreign policy. It reminds us of a remark by one Russian diplomat a couple of years ago: the Russian Ministry of Foreign Affairs no longer had guidance from the top: they had to make the foreign policy by themselves.

But the connection between foreign policy and military policy, in this era of globalization, is tenuous anyway. For Russia, there are no big external threats, except as may be conjured up in idle military minds, nostalgic for the big threats of the past. The threats are more internal or on the fringes—as with Chechnya, and terror, or Russia's underpopulation in the Far East along the border with China. The military problem becomes more one of the place of the military in the emergence of the new Russian nation-state. Perhaps that is why so much of the talk about military reform has been concentrated on military personnel and conscription vs. contract personnel.

9. See Fiona Hill and Clifford G. Gaddy, *The Siberian Curse: How Communist Planners Left Russia Out in the Cold* (Washington: Brookings Institution Press, 2003).

There was a brief flurry of interest in October of 2003 when:

- A new 73-page brochure (their word) titled “Urgent (or in others translation, “vital” or “topical”) tasks for the development of the armed forces” was issued;
- Military reform was declared to be completed (though this statement was later modified, in effect to say that military personnel levels had bottomed out);
- And it was announced that Russia had (not recently) acquired some number of “dry” (never fueled, so basically new) SS-19 missiles from Ukraine. They may number about 30-32.

Looking at the strategic missile situation first, it was clear from our conversations in Moscow that the Russian Strategic Rocket Forces (SRF) had been given a new lease on life by the Treaty of Moscow signed and ratified by the U.S. and Russia in 2002. Before the treaty, and under the now defunct START II treaty, Russia would have had to give up its MIRVed ICBMs and replace them with single-warhead systems. But then their budget could produce only 6 TOPOL-M (SS-27) missiles a year. They saw the ICBM force shrinking to the point where it would be vulnerable to the combination of U.S. hard-target kill capabilities (as represented especially by Trident D-5 missiles) and missile defense. Now they are able to keep the MIRVed SS-18s and SS-19s indefinitely, albeit reducing warheads eventually to the 1700-2200 level, and have also found that their service lives could be extended. The 30-32 dry SS-19s could be used over time to replace the oldest SS-19s.¹⁰

Russia also is maintaining 14 TU-160 bombers (the 15th crashed recently), and is assembling two more from leftover parts, while also maintaining something like 63 Bear bombers.¹¹ A couple of years

10. By the way, it's clear that Putin didn't know the difference between SS-18 and SS-19. He declared the SS-19 to be the most powerful ICBM in the world, noting that it carried 10 warheads—that's what we call the SS-18. Actually, the SS-19 was clearly identified in the press as the UR-100N missile, and in further Russian nomenclature, the RS-18A. The SS-18 is the RS-20A. Some of us tend to be expert in such designations, but not Putin.

ago, we were told by one knowledgeable Russian that the bombers were maintained “only for counting purposes,” but the Russian air force seems to be still flying them.

On the question of military reform being complete, there is much confusion. It was said that they had reduced to 1 million military personnel, but then, with the addition of some components from other uniformed services, the number was said to have bottomed out at 1.132 million.¹² Nevertheless, we were told that real restructuring, in such a way as to free up funds for new equipment, would require military personnel to be reduced to 650,000-800,000.

There have been some consolidations of headquarters and other units in Russian armed forces—they now have three services and three branches. Strategic Rocket Forces are no longer a separate service.

Otherwise, the discussion of reform has focused almost entirely on the conversion from a conscript force to a contract (volunteer) force. They hope to have 240,000 contract personnel by 2008. It is not quite clear they will get there, given budget restrictions. An experiment with the 76th airborne division in Pskov seems to have finally reached success, with the hiring of 5,000 contract personnel.¹³ One of the critical questions is housing for the military—as it has been since the withdrawal of Soviet forces from East Europe and the collapse of the Soviet Union. Indeed, the overall housing market has not taken off yet in Russia; people cling to the housing they acquired (bought for a song) during the 1980s.

11. IISS, *The Military Balance 2003-2004* (London: Oxford University Press, 2003), p. 93.

12. Recently, Putin has said that all the uniformed personnel in all the security services that Russia maintains—interior forces, border guard, etc.—number 4 million. In addition, 800,000 civilians may be employed by the Ministry of Defense (Interview with Alexey Arbatov, *Novaya Gazeta*, No. 78 (October 20-22, 2003)).

13. *Moscow Times*, December 23, 2003, p. 3.

The Russian defense budget

This raises the question of the military budget. For 2004, it will have increased by 50 percent over the budget of 2002—from around \$9 billion, to \$11 billion, and now for 2004 to \$13.5 billion (411.5 billion rubles). It should be noted, however, that inflation in Russia has still been high by Western standards; the projection for 2004 is 12 percent. The defense budget for 2004 represents 20.33 percent of the whole government budget and 2.69 percent of GDP. The other security agencies take another 7 percent of the government budget.

The IISS converts the Russian defense budget, whatever it may be in rubles, to the equivalent of around \$60 billion, presumably on a PPP (Purchasing Power Parity) basis, or, using the old Cold War methods in the absence of real cost data, calculating what it would cost in the West to maintain a force of 1.132 million military personnel. As we discussed in Moscow, there are lower costs in the present local Russian economy than in the United States and Europe: military pay is low, utility prices (electricity, water, etc.) for the whole country are below market, military travel in the country by rail or air is at low rates, and they are supposed to get free housing—except that 160,000 personnel await housing.¹⁴ At the same time, military personnel now have to pay income taxes (even if it is at the flat tax rate of 13 percent) and have to pay fully for their utilities (they used to pay only 50 percent).

However, any new equipment is probably going to cost closer to world market prices: it was reported that an SU-30MK (the latest model of the SU-27) costs \$33 million, and that is probably only the flyaway cost.¹⁵ Last year, according to Boris Nemtsov, Russia bought for itself only 2 combat aircraft and 15 tanks.¹⁶ In any case, even if one-third of the 2004 budget of \$13.5 billion is allocated to “contract work” (to include new acquisitions, research and development, and refurbish-

14. Henry Ivanov, “Quality not Quantity: Russia Country Briefing,” *Janes Defense Weekly*, December 17, 2003.

15. Alexey Nikolsky, “Communications are what counts,” *Vedomosti* (October 16, 2003).

16. BBC Monitoring of REN TV, Moscow, October 15, 2003.

ment and maintenance of existing equipment), that's only about \$4.5 billion, as compared to U.S. expenditures of around \$125 billion (not counting maintenance). Even this amount was reported to be 1 percent less than last year.¹⁷ Moreover, as U.S. experience shows as well, there is a tendency during the year to rob these accounts for current operational expenditures. During his call-in show of December 18, Putin had to reassure his listeners that it was export sales that would sustain Russian arms industries for the time being. The government has paid off debts to suppliers accumulated from 1991 to 1998.

Whether one expresses the Russian defense budget as \$13.5 billion (and Russians often use the dollar figure, not the ruble figure) or \$60 billion, all they seem to be getting for it is a lot of manpower. As noted, they are not acquiring much, they do not train much (though they say they will double their exercises this year), the aircraft don't fly much, and the ships don't do much sailing. They can't build much housing. In fact, the funds set aside for military housing have been reduced from 30 billion rubles in 2003 to 13 billion for 2004. Even the railroad system complains that it does not get paid for the travel they provided servicemen.

Moreover, the Russian defense budget is opaque. Alexey Arbatov, who we talked to, fought for a long time as Deputy Chairman of the Duma's Defense Committee to get more information for the Duma's deliberations. He eventually got 70 lines in the public submission (as opposed to the several hundred pages that characterizes the U.S. Defense Department submission to Congress), and was privy to other information not released to the public. Unfortunately, Dr. Arbatov was not reelected to the Duma, and it is yet unknown whether anyone else in the new Duma would take up Arbatov's crusade for more transparency in the budget.

As Dr. Arbatov explained to us, the Ministry of Defense and the General Staff prepare the budget, under a top line set by the Ministry of Finance. The separate services do not prepare their own budgets. The budget is prepared in classic terms (i.e., pre-U.S. PPBS terms, similar

17. Viktor Litovkin, "Defenceless Defence," *RIA Novosti*, November 26, 2003.

to the U.S. Congressional appropriation categories: manpower, operations, acquisition, R&D). After the Duma has appropriated the funds, the General Staff may allocate the funds in a different way than was originally proposed. Apparently, Russia does not have the equivalent of the U.S. anti-deficiency act, which says the funds will be expended only for those accounts to which the Congress appropriated them, under the threat of criminal sanctions if they don't. After that, the tracking of funds out to their expenditure is quite opaque. Altogether, the system sounds grossly inefficient and very likely subject to gross corruption. At least the Finance Ministry lets them have the funds that have been requested and appropriate by the Duma, whereas across much of the 1990s they tended to sequester a significant portion of the funds.

The future and goals of the Russian military

What is the Russian military for? Russians have debated the subject since the new Russia emerged in late 1991. At the top, they have been mostly concerned with the broadest definition of security, that is, a stable, prosperous country that provides for its citizens. Civilians strategic thinkers at the top (in the Defense Council and Security Council) no longer saw that external threats were more serious than any internal threats—and the worst internal threat has turned out to be in Chechnya.¹⁸ It is very difficult for Russian strategic thinkers to think of the future in an abstract way when Chechnya persists day-to-day, including the terrorist incidents that have penetrated right to Moscow.¹⁹

But observers in Moscow see the General Staff as still bogged down in the World War II mobilization-for-big-war model. This means maintaining large force structures, conscription, and reserve production facilities (for what would be now obsolescent equipment). It also means identifying NATO as the threat, as the only large force that

18. Even the most broad-minded Russians we have met insist that Chechnya is just an internal problem. They cling to the notion of Russia as a multiethnic nation, even if Russians compose 80 percent of the population.

19. On November 5, H. H. Gaffney crossed the very intersection in Moscow that was bombed by a female Chechen a month later.

could invade. Yet the new “urgent development tasks” paper of the Ministry of Defense, per the commentaries (we have not seen the full text of the document itself) seems to be quite conflicted on this issue. On the one hand, the threats are identified as terrorism, proliferation, and ethnic instability, i.e., the characteristics of the situations in Russia’s soft southern and southeastern underbelly. On the other hand, the Deputy Chief of the General Staff, colonel General Baluyevsky, is quoted as saying, “If NATO is preserved as a military alliance with its existing offensive military doctrine, this will demand a radical reconstruction of Russian military planning...”²⁰

We have examined the NATO documents that might be in question—“The Alliance’s Strategic Concept” approved in April 1999 and the “Prague Summit Declaration” of November 2002, and they could be read by the Russians as pointing to a Russian threat (e.g., “the existence of powerful nuclear forces outside the Alliance”). The NATO documents talk about “a full range of missions,” “crisis response,” and “response to all possible contingencies,” all of which make Russians wonder what the NATO countries are talking about. The documents also speak of NATO’s maintaining nuclear weapons in Europe. Baluyevsky has been quoted as noting that the U.S., with its new development of mini-nukes, is trying to make the use of nuclear weapons in war more possible, and hints that Russia would have to take offsetting actions.²¹ The Russians, or at least the General Staff, talk endlessly about the possibility of NATO stationing forces and nuclear weapons in the Baltic states, and conducting huge exercises on Russia’s borders. At the same time, one person told us that NATO bases in Bulgaria or Romania would not be of concern.

On the other hand, the NATO Defense Ministers met informally in Colorado Springs on October 8-9, 2003, to which Russian Defense Minister Sergey Ivanov was invited. Ivanov delivered assurances both in the meetings and in his press conference that NATO was not con-

20. Vladimir Isachenkov, “Putin Says Russian Military Still Mighty,” *Associated Press*, October 2, 2003.

21. Vladimir Isachenkov, “U.S. Nuke Development Concerns Russia,” *Associated Press*, November 26, 2003.

sidered a threat to Russia and that Russia looked forward to continued cooperation with the alliance.

Russia attributes great prowess to NATO forces. They believe that the NATO countries maintain all the forces and equipment allowed by the CFE treaty. They add the totals for the Eastern European countries, that is, the former Warsaw Pact countries, to the NATO CFE totals. They seem not to notice the slow withering away of all those European forces, including their aging, lack of maintenance, and obsolescence. We were told that Baltic accession to CFE would be the only guarantee of positive NATO intentions towards Russia. But we were also told that there's a perception in Russia that NATO is becoming less relevant—perhaps because of the Bush Administration's attitudes toward international institutions. As one Russian said, Bush is undermining the institutions to which Russia doesn't belong, making it easier for Russia to deal with individual players.

The other issue surfaced by the “urgent development tasks” paper is that of a preemption, or prevention, strategy, coupled with the old issue of first use of nuclear weapons. Again, Minister Ivanov gave assurances in Colorado Springs that Russian nuclear weapons were purely political, i.e., a deterrent, and that they were not part of some preventive strategy. More ominously, he said in effect that Russia reserved the right to take preventive action in CIS states, i.e., the former Soviet Union (recalling, however, that the Baltic states were never part of CIS, nor did Russia ever think they should be). That's where Russia perceives its threats. It is another example of how tempting such strategies are for any nation.

Some concluding observations about Russian defense

The main problem for Russian defense, however, is the lack of a real model for total defense reform, or, if you will, transformation. It is not an easy task in any case—almost all countries continue with their traditional and legacy forces absent a total rout in war and subsequent disbandment and later recreation of their forces (as happened in Russia in 1917, and Germany and Japan after 1945). For Russia, this is compounded by a real lack of interest at the top—the problems of the Russian economy and the social contract with its people have far

higher priority. And economics and social needs mean that the government must restrain its taxation and budgets, not borrow crazily (which caused the collapse of 1998) or print money.

Thus, military reform has been left to the military establishment to think about—except for political pressures to end or reduce conscription—and this typically is not a way to bring about innovation. The “urgent tasks” paper apparently talks about restructuring into smaller, more mobile units, and further deployments in strategic areas. The people we talked to complained that there was no real civilian control of the military within the Ministry of Defense. The General Staff is simply having a hard time coming off the mobilization model. In the meantime, they have a continuing war in Chechnya, and existing equipment is hardly maintained, grows old, and is not replaced.

Where does this leave the Russian Federation Navy (RFN)?

In all the quotations from and commentaries on the new Ministry of Defense paper on “urgent development tasks,” there have been practically no mention of the RFN. The RFN gets only 14-15 percent of the defense budget,²² but three-quarters of that goes to the strategic nuclear forces, we were told.

The basic word that we got in Moscow is that the RFN is still dying. The ships it has are aging with few prospects for replacement. There have been some signs of increased activity by the RFN over the last year or two, and the RFN chief, Fleet Admiral Kuroyedov, has spoken optimistically about future construction. However, the Russian defense budget still does not support such a program, and the RFN is still at the end of the line in priorities. President Putin, with his origins in St. Petersburg, is an enthusiast for the Navy, but he never speaks of it when discussing his priorities in public.²³ As noted earlier, it is the ground force-dominated General Staff that works up the defense budget and later allocates the funds appropriated—not nec-

22. Henry Ivanov, “Quality not Quantity: Country Brief, Russia,” *Janes Defence Weekly*, December 17, 2003.

essarily according to the original submission (per Alexey Arbatov). In the first interview we from CNAC had with Admiral Kuroyedov back in December 1998, he had talked of getting an independent RFN budget, but nothing has come of his proposal.

The signs of activity by the RFN in the last few years have included the deployment of two Pacific Fleet Udaloy destroyers to the Indian International Naval Review in early 2001, a multinational exercise in the Caspian Sea in 2002,²⁴ five ships visiting India for a large exercise during 2003, three ships visiting Sardinia at the time Putin was meeting with Italian Prime Minister Berlusconi there, a big exercise in the sea of Japan in August 2003, and a visit by one Udaloy to Hawaii in late 2003.

It is of interest that, aside from exercises just off the Russian coast, it is the same five ships that have made the long-distance cruises: the two Udaloy destroyers from Vladivostok (*Admiral Panteleyev* and *Marshal Shaposhnikov*), and the Slava-class cruiser *Moskva*, the Krivak-class frigate *Pytliviy*, and the last of the Kashin-class destroyers, *Smetliviy*, from the Black Sea Fleet. All five are gas turbine-powered ships. The *Smetliviy* is about 34 years old.²⁵ Most ships do not sail, especially as it was reported that the RFN had gotten only 32 percent of the fuel it asked for, though we were told that the RFN now has enough fuel. The RFN may be trying to keep too many ships in service. Only the small Baltic Fleet has officially stopped the practice of maintaining its non-functional ships. We were told that someone asked Admiral Kuroyedov why he was keeping the big guided-missile cruiser *Peter the Great* in service. Kuroyedov said, "To terminate all those [U.S.] carri-

23. See his call-in program of December 18, 2003, as reported in *Johnson's Russia List*, numbers 7477 and 7478 of December 19, 2003. The word "fleet" was mentioned once by Putin.

24. See *Sustaining US-Russian Strategic Relations: Report of the 16th CNAC-ISKRAN Seminar*, 10 December 2002 (CNA Information Memorandum CIM D0008302.A1), p.23.

25. A recent FBIS report (January 5, 2004) indicated that the Slava-class cruiser *Varyag*, the Udaloy-class *Admiral Tributs*, and the Grisha-class frigate *Korevets* will be visiting South Korea soon.

ers.” When challenged about that statement, he said, “Well, we can use it to train our nuclear power engineers.”

Similarly, construction of new ships, as reported in Jane’s and the Baker book,²⁶ is so far scant: one SSBN under construction since 1996, one new-model SSN (Yasen class; under construction since 1993), two Akula SSNs (under construction since the end of the Cold War and the fall of the Soviet Union), one new SSK (the St. Petersburg, of the Lada class), and one new corvette (the Steregushchiy—with 4 to 10 total envisaged). No new major surface combatants are under construction or even mentioned as planned (Russia has completed three modified Krivak frigates for India, and is building two more Sovremenny DDGs and eight more Kilo SSKs for China). Some ships have been overhauled and returned to the fleet. According to Jane’s, the first ever Sovremenny DDG, the *Bystriy*, has been returned to the fleet rather than laid up. Yet, as Alexey Arbatov noted, the real need for the RFN is to replace aging and decrepit cranes at the shipyards, especially those that load and unload missiles, rather than overhauling aged ships that in any case do not have sufficient fuel to sail.

As for the strategic submarine forces, the first Typhoon SSBN has emerged from the yard, where it had been under conversion since 1991, and will be used as the test bed for the new Bulava SLBM. The six Delta IV SSBNs are being rotated through overhaul, while a seventh (the third in the series) is being disposed of. There’s no indication that the 7 existing Delta III SSBNs are being overhauled; in 2004 they will be 22-26 years old—a long time for a Russian vessel. The new SSBN—the Yuri Dolgorukiy, of the prospective Borey class, had been awaiting a missile. That would now be the Bulava missile, derived from the TOPOL-M, which is near the testing stage. Admiral Kuroyedov speaks confidently of two more Borey class SSBNs being built, but it is not apparent that they have been funded and certainly there have been no reports of work having been started. It looks like Russia will be maintaining at least 6-7-8 SSBNs into the next decade. Coupled with the retention of the SS-18 and SS-19 SSBNs, and the gradual

26. *Jane’s Fighting Ships, 2003-2004* (London, 2003); A. D. Baker III, compiler, *The Naval Institute Guide to Combat Fleets of the World, 2002-2003* (Annapolis, Maryland: Naval Institute Press, 2002).

addition of SS-27s, it appears that Russia will be able to sustain at least 1700 operational warheads, as provided under the Treaty of Moscow, without undue strain on any one element of the force.

In the two major exercises the RFN has conducted in the last two years—in the Caspian and in the Sea of Japan—they have placed great stress on the interagency and multinational aspects, relating especially to economic protection.²⁷ But, as noted by those we talked to in Moscow, the RFN's roles are essentially confined to coastal operations and sustaining the strategic nuclear deterrent. At the same time, the RFN values its international contacts on the personal exchange side—the FRUKUS series of games is a going concern and a group of Russian naval personnel will soon go to Naples for NATO discussions.

Final observations

From the strategic thinkers we talked to, we got two messages:

1. Russia must find its identity.
2. Russia yearns for strategic partnership with the U.S.

With regard to the first message, we have noted above how much in flux the Russian political and economic systems are, and yet their dependence on one another. Russia has enormous natural resources, an educated, urbanized population, but has not yet been able to create a globally competitive industrial system nor to satisfy its own consumer demand. As Putin said in his call-in show:

The main threat is being behind in economic development...A fairly tough competitive struggle is going on in the world now, as always. But, unlike earlier times, this competitive struggle has moved...from the arena of military conflict to the arena of economic competition. And in this we must be efficient, we must be competitive—from the ordinary citizen to the state.²⁸

27. Per Vice Admiral Nikolay Konorev, as discussed in *Sustaining US-Russian Strategic Relations: Report of the 16th CNAC-ISKRAN Seminar*.

Russia fills an enormous space, although its weight is toward Europe and the West.²⁹ But its greatest identity problems lie within. It never had a nation-state of its own until 1991. The strategic thinkers we talked to know that the Soviet pursuit of its own global vision distracted them from their own Russian identity.³⁰ But they still preserve the notion of a multiethnic nation-state, as illustrated by the Chechnya problem.

As for the problem of strategic partnership with the U.S., again the strategic thinkers we talked to all emerged into communication with the broader world through their strategic interactions with the U.S. and the West across the last two decades of the Soviet Union, whether in strategic nuclear talks or CFE, either as participants or as supporting policy work back in Moscow. Several of them are graduates of the Institute for USA and Canada Studies of the Russian Academy of Sciences—the Arbatov institute set up to explain America to the Soviet leadership and to build bridges at the same time. There is a good deal of nostalgia in their desire to maintain these relationships. They are also groping for a new global view, originating from their standpoint at the center of EurAsia. But an essential connection is missing: the Russian military establishment, including the RFN, is really not resourced to do much and discourages innovative thinking among its junior and middle-ranking officers.

28. Call-in program of December 18, 2003, op. cit.

29. See Mikhail Nosov, *Russia Between West and East* (Alexandria: The CNA Corporation, Information Memorandum CIM D0009191.A1, October 2003).

30. See Sergey Kortunov, *The Emerging Security Policy: formation of the Russian national security policy in the context of globalization problems* (Moscow: Nauka, 2003), pp. 517-521.

